



THE STATE OF THE STATE'S LABOR MARKETS

A BRIEFING REPORT

NOVEMBER 2003

STATE OF CALIFORNIA
EMPLOYMENT DEVELOPMENT DEPARTMENT
LABOR MARKET INFORMATION DIVISION

(Data shown are those available as of 11/13/03.)





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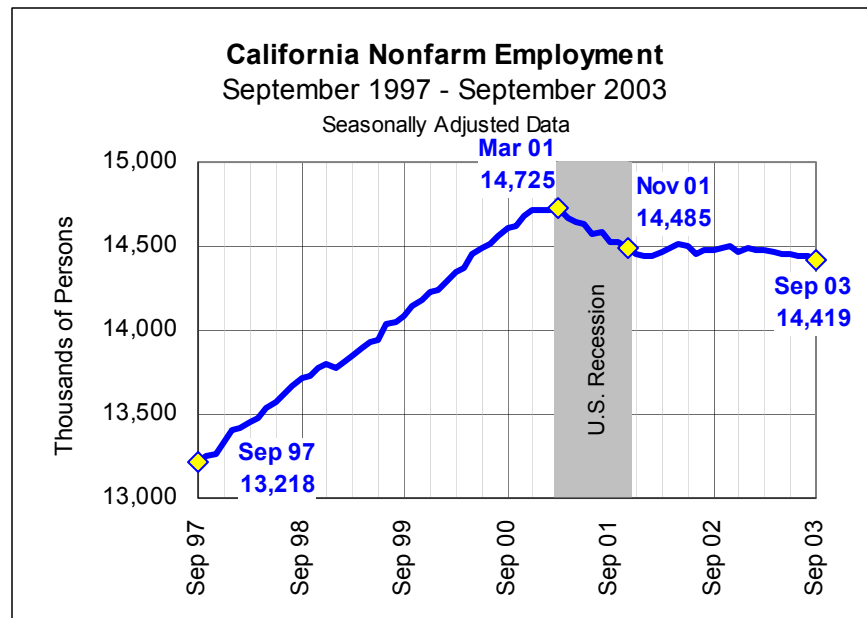
THE CALIFORNIA LABOR MARKET

In recent years, the California economy has been buffeted by a downturn in the U.S. business cycle and the boom and bust in high technology markets. The U.S. economy entered recession in March 2001, ending a decade of economic expansion. Although the U.S. recession ended in November 2001, the California and U.S. labor markets have remained weak for the most part, with employment losses continuing.

Recent U.S. economic data – most notably the strong growth in the Gross Domestic Product in the third quarter of 2003 and three consecutive months (including October) of job growth – suggest that the national economy has turned the corner and is poised to gather strength. However, it remains to be seen what level of growth the national economy will be able to sustain or whether it will be able to generate sufficient job growth to make a dent in unemployment given the recent productivity gains. Although sustained growth in the U.S. economy would provide a key stimulus to California's economy and labor markets, the lingering effects of the high technology slump and severe budget difficulties at the State and local levels cloud the State's employment outlook.

RECENT HISTORY

- The following chart shows California's monthly nonfarm employment trend, which closely parallels the pattern for the U.S. over the last six years.



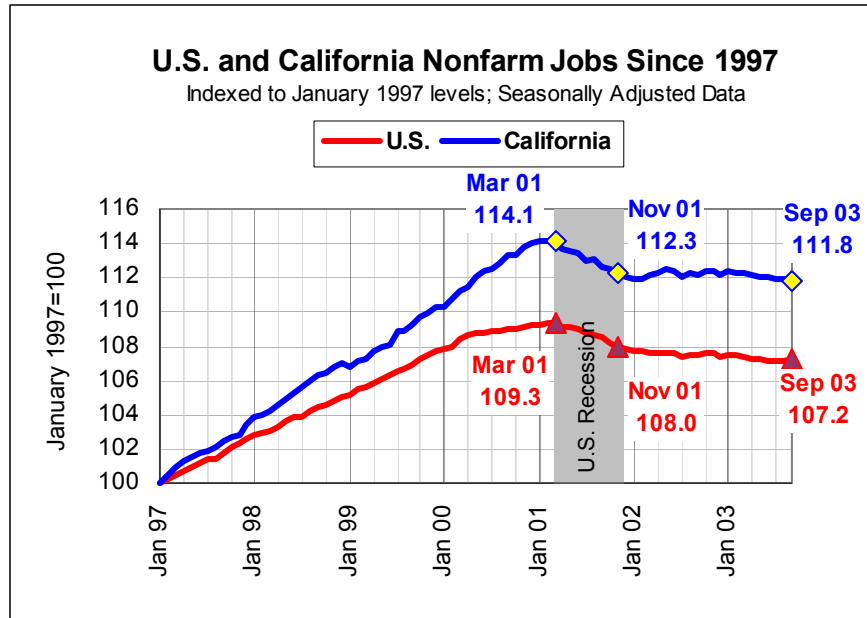
- From September 1997 through March 2001, the U.S. economy was expanding and California, in particular, rode the crest of the high technology boom. The State's economy grew by over 1.5 million jobs (or 11.4 percent)

during this period. Although employment growth was widespread across most industries and regions, it was strongest in high technology industries. The Bay Area was California's fastest growing region.

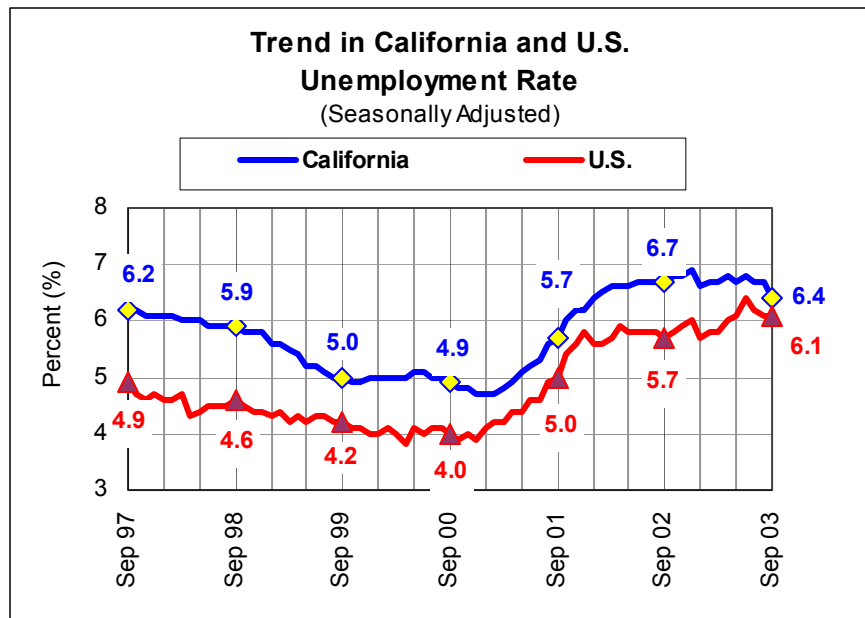
- California's nonfarm employment peaked in March 2001 at 14.7 million jobs, the same month that the U.S. economy entered recession. The high technology bust, as evidenced by a plunge in NASDAQ stock values after March 2000, was a key factor in pushing the economy into recession. A sharp and sustained reduction in business investment in electronics and software, and sharp fall in high technology exports also accompanied the bust.
- As the recession hit California from March 2001 through November 2001, the State's nonfarm employment declined by 240,000 jobs (or 1.6 percent). Although growth slowed across industries, losses were concentrated in manufacturing (and particularly high technology products), and other industries with a strong high technology orientation such as professional and business services and information. The Bay Area Region, and particularly the Silicon Valley, suffered disproportionately high job losses.
- Although the U.S. recession ended in November 2001, job growth has remained flat in California. Over the 22 months of December 2001 through September 2003, nonfarm payrolls declined by 65,400 jobs (or 0.5 percent). Industries associated with the State's tourism and recreation, health services, and housing sectors experienced job gains during the December 2001 – September 2003 period, but California industries strongly oriented towards high technology continued to have employment declines.

A COMPARISON OF CALIFORNIA AND U.S. TRENDS

- The California economy has mirrored national economic trends over the last several years as seen in the chart at the top of the next page. California experienced robust job growth through the end of the recent expansion, short-lived but steep job losses during the March – November 2001 recession, and flat growth in the subsequent recovery.
- However, the pace of job change in California and the U.S. has differed. Reflecting the higher concentration of high technology industries in California's economy, employment grew at a more rapid rate in California than in the U.S. during the final years of the recent expansion, and fell more steeply during the recession. While both the U.S. and California employment levels have been relatively flat since November 2001, California has fared slightly better than the U.S.

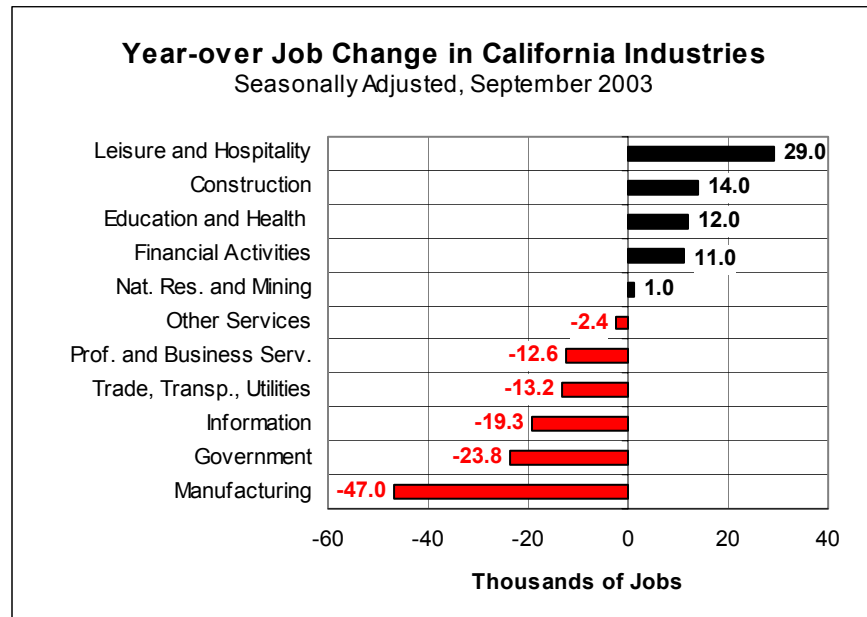


- California's unemployment rate held steady in the 6.6 to 6.9 percent range from March 2002 through August 2003, before falling to 6.4 percent in September 2003 (preliminary). In contrast, the national unemployment rate has been on a more upward trend in recent months.



THE PAST YEAR

- California has had difficulty adding jobs in the last year. Nonfarm employment declined by 51,000 jobs (or 0.4 percent) from one year ago. The chart below summarizes year-over job growth in key industry sectors.



- As reflected by the industry data, the State's tourism and recreation, health care, and housing sectors have continued to be bright spots over the past year. Government, manufacturing, and high technology oriented industries have been the weakest segments of the economy.
- Manufacturing lost the largest number of jobs in California over the last year, continuing a longer-term decline. Manufacturing employment has declined by over 300,000 jobs since December 2000. However, the State's manufacturing losses have been comparable in length and severity to national manufacturing losses. American manufacturing is restructuring, with firms under intense pressure to increase productivity and moving many operations to countries where labor costs are lower.
- Government payrolls in California declined by 24,000 jobs over the last year. Government had been one of the State's lead job-gaining sectors in previous years. Recent government job losses reflect deepening budget difficulties at the State and local level. Losses have been most pronounced in local government education.

CALIFORNIA'S INDUSTRY WINNERS AND LOSERS

California's Industry Winners and Losers

Job Change, September 2002 - September 2003

Largest Job Gains	Number of Jobs
Food Services and Drinking Places	20,900
Specialty Trade Contractors	11,200
Ambulatory Health Care Services	10,300
Credit Intermediation and Related Activities	7,800
Performing Arts, Spectator Sports	5,700
Indian Tribes	5,700
Construction of Buildings	5,600
Hospitals	4,900
Real Estate	4,000
Nursing and Residential Care Facilities	3,500
Largest Job Losses	Number of Jobs
Local Government Education	-21,100
Computer and Electronic Product Manufacturing	-17,800
Other Local Government	-11,000
Computer Systems Design and Related Services	-10,600
Air Transportation	-7,600
Motion Picture and Sound Recording	-6,300
Telecommunications	-6,300
Management of Companies and Enterprises	-5,200
Fabricated Metal Product Manufacturing	-4,300
Machinery Manufacturing	-4,100

REGIONAL ANALYSIS

Regional labor markets characterize California's vast economy. California's nine economic regions, ranging from largest to smallest in terms of employment, are: Southern California, the Bay Area, the Southern Border, the San Joaquin Valley, Greater Sacramento, the Central Coast, the Northern Sacramento Valley, Northern California, and the Central Sierra, as shown in the map below.

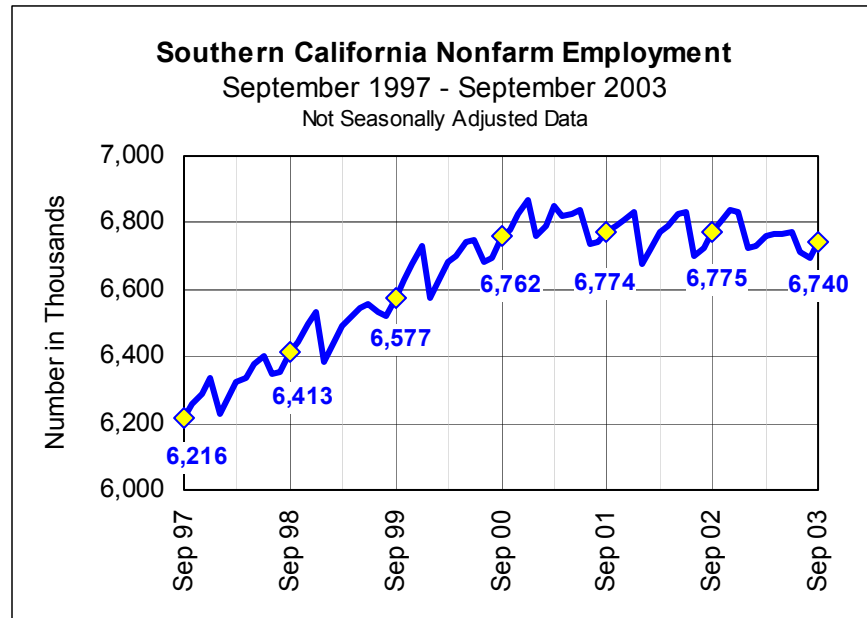


SOUTHERN CALIFORNIA REGION

- The Southern California Region is comprised of Los Angeles, Orange, Riverside, San Bernardino, and Ventura Counties. Riverside and San Bernardino Counties form the Riverside-San Bernardino Metropolitan Statistical Area (MSA) in estimating monthly job trends.
- With 6.8 million wage and salary jobs, the Southern California Region is the State's largest labor market. Nearly half (46 percent) of California's 14.9 million wage and salary jobs are located in Southern California. Los Angeles County contains three-fifths of the region's jobs.
- Regional employment has been flat overall during the last three years. Once heavily reliant on manufacturing and defense-related industries, Southern

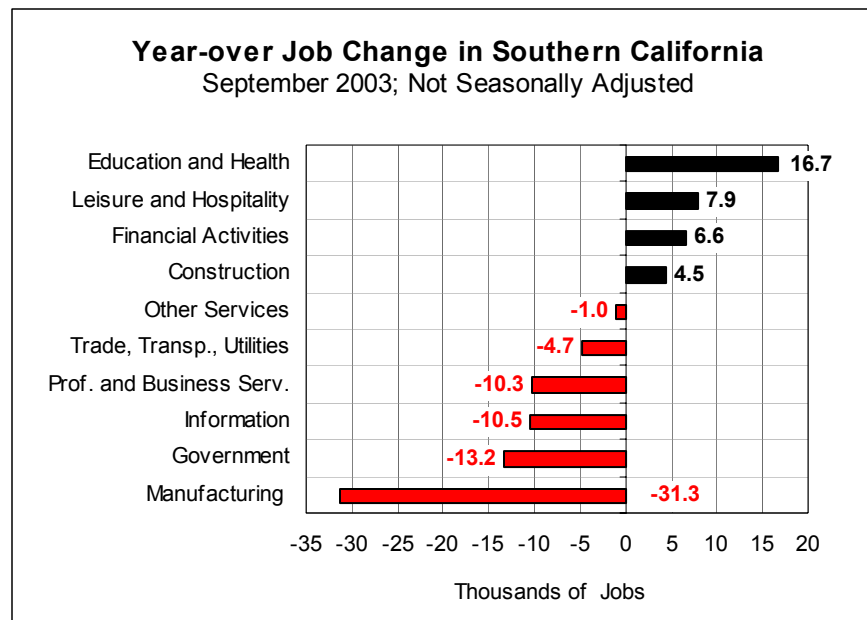
California now has a diverse industrial mix, helping to cushion the effects of the high technology bust on the overall regional economy.

- National and global economic conditions strongly influence the Southern California Region's economy. The region is well positioned to benefit from a strong U.S. economic recovery.



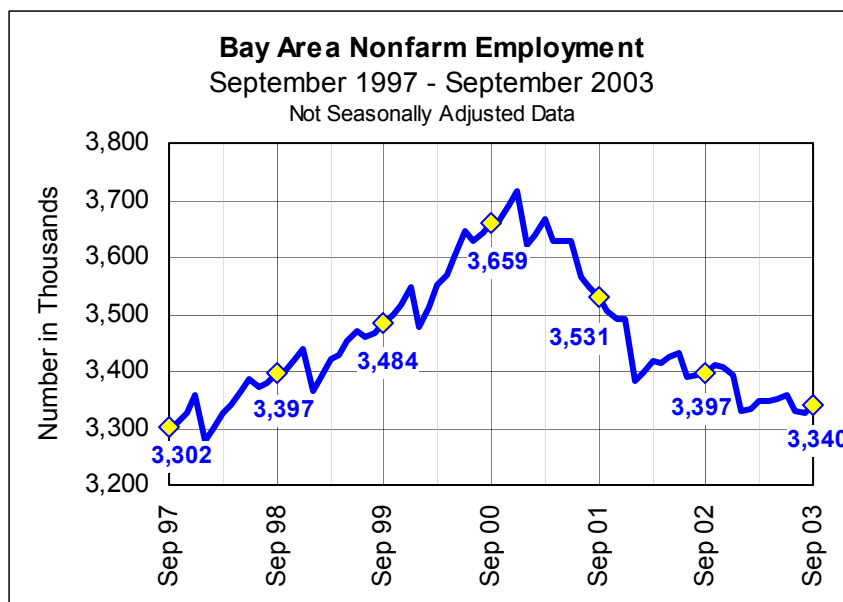
THE PAST YEAR

- Over the last year, nonfarm employment in the Southern California Region has fallen by 35,100 nonfarm jobs (or 0.5 percent). The Riverside-San Bernardino MSA (up 12,400 jobs, or 1.2 percent) added the most jobs and grew at the fastest rate. Los Angeles County posted the region's largest job loss (39,700 jobs, or 1.0 percent). However, Ventura County (down 7,000 jobs or 2.5 percent) experienced the largest percentage job loss. Job growth in Orange County was flat overall.
- Educational and health services and leisure and hospitality have been the bright spots in the region's economy over the last year. In addition, the region's strong housing market boosted job growth in financial activities and construction. (See chart on following page.)
- Manufacturing, government, information (which includes motion pictures and sound recording), and professional and business services were the weakest areas of the regional economy. Employment declines in these industries reflected the weak national economy, State and local budgetary woes, and continuing struggles of high technology industries.



BAY AREA REGION

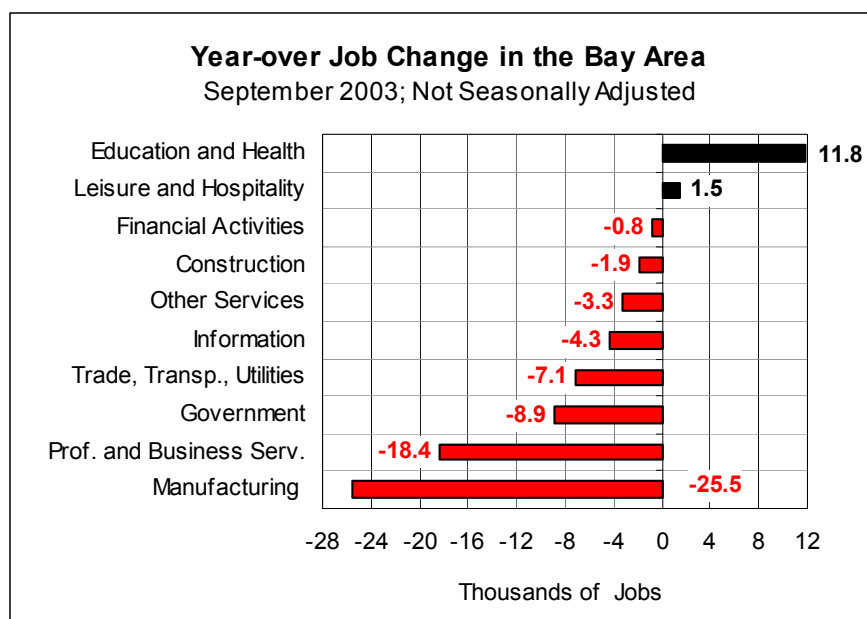
- The Bay Area Region is comprised of Alameda, Contra Costa, Marin, Napa, San Francisco, San Mateo, Santa Clara, Santa Cruz, Solano, and Sonoma Counties. In estimating monthly employment trends, Alameda and Contra Costa Counties form the Oakland MSA; Marin, San Francisco, and San Mateo Counties form the San Francisco MSA; and Napa and Solano Counties form the Vallejo-Fairfield-Napa MSA.
- With 3.4 million jobs, the Bay Area Region has California's second largest economy. Slightly less than one-fourth of California's wage and salary jobs are located in the Bay Area.
- The fortunes of the Bay Area economy have been inextricably linked to the boom and bust of the high technology sector in recent years. Regional employment grew rapidly during the final years of the high technology boom, but fell steeply during the bust that followed. In turn, the weak high technology sector has had a dampening effect on employment growth in industries associated with commercial real estate, business travel, and more recreational consumer spending.



- Santa Clara County and the San Francisco MSA, which comprise most of the Silicon Valley, have been the epicenter of the high technology boom and bust cycle. Losses in these two areas account for nearly all (97 percent) of the region's 318,800-job loss over the last three years. Job losses in East Bay areas have been muted in comparison, reflecting the lower concentration of high technology industries in these areas.

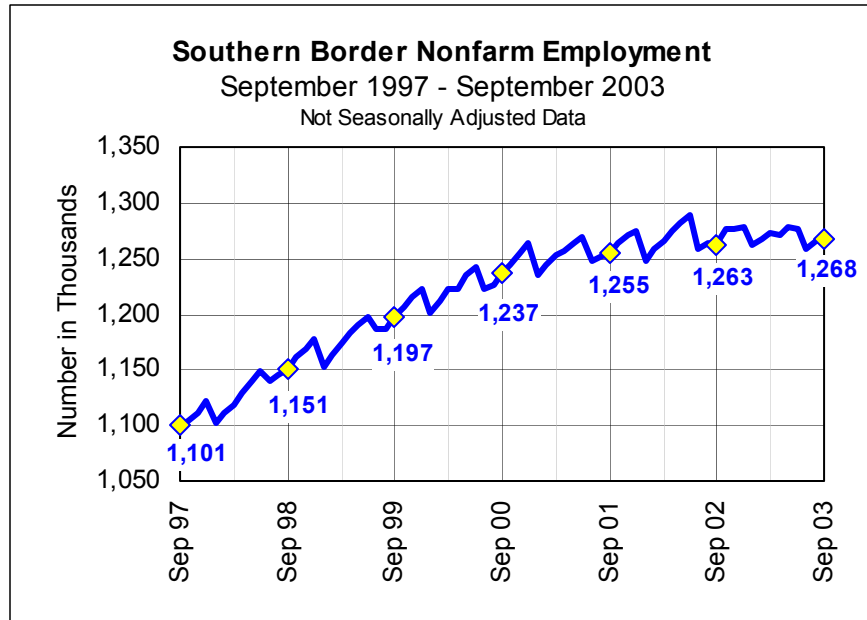
THE PAST YEAR

- Over the last year, the Bay Area has lost 56,600 nonfarm jobs (or 1.7 percent), as the region continues to feel the effects of the high technology bust. These were the deepest year-over job losses of California's nine regions. (See chart on following page.)
- These losses were concentrated in Santa Clara County, which accounted for two-thirds of the region's year-over job losses.
- Despite the job losses of the last year, industry leaders and economists in the region are increasingly optimistic that the Bay Area's high technology sector and economy is finally finding its footing.



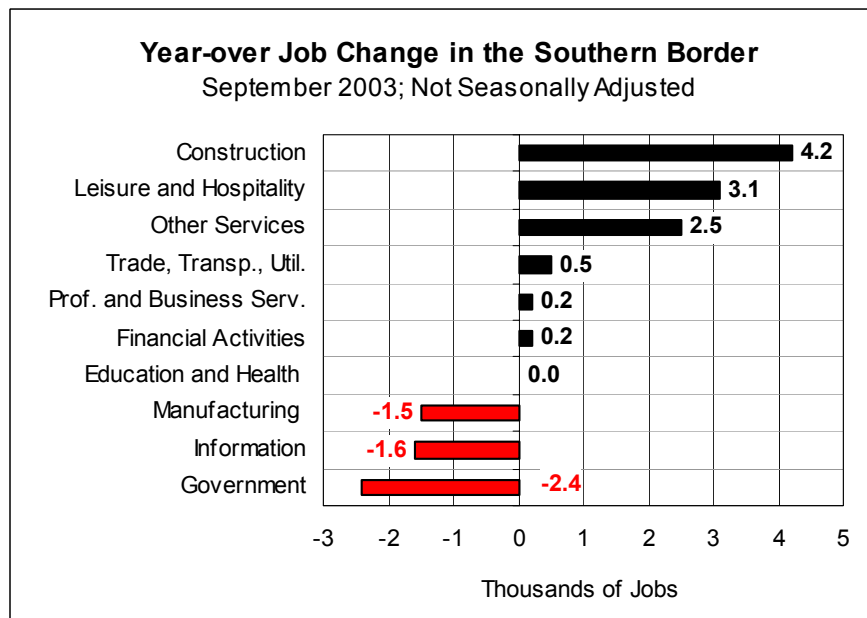
SOUTHERN BORDER REGION

- The Southern Border Region groups urban and industrialized San Diego County together with rural and agriculturally oriented Imperial County.
- With nearly 1.3 million wage and salary jobs in 2002, the Southern Border was California's third largest regional economy. Imperial County accounted for just 4 percent of these jobs.
- Nonfarm employment in the Southern Border grew by 167,000 jobs (or 15.2 percent) from September 1997 to September 2003. Although the region has escaped net job losses over the last three years of the business cycle, job growth slowed markedly from the pace of previous years. As in neighboring Southern California, the diverse industry mix of the once defense-dependent Southern Border has helped cushion the effects of the high technology bust on the overall regional economy.



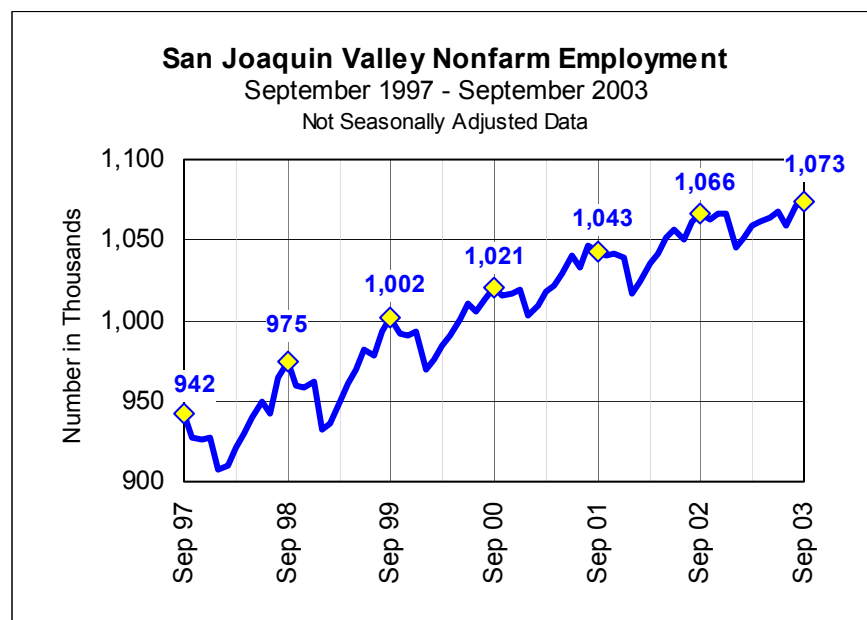
THE PAST YEAR

- Nonfarm employment in the Southern Border grew at a modest pace in the last year, with year-over gains totaling 5,200 jobs (or 0.4 percent). Six key industry sectors had year-over job gains, while just three had year-over losses. Strength in the region's construction and tourism industries outweighed losses in high technology industries and local government.



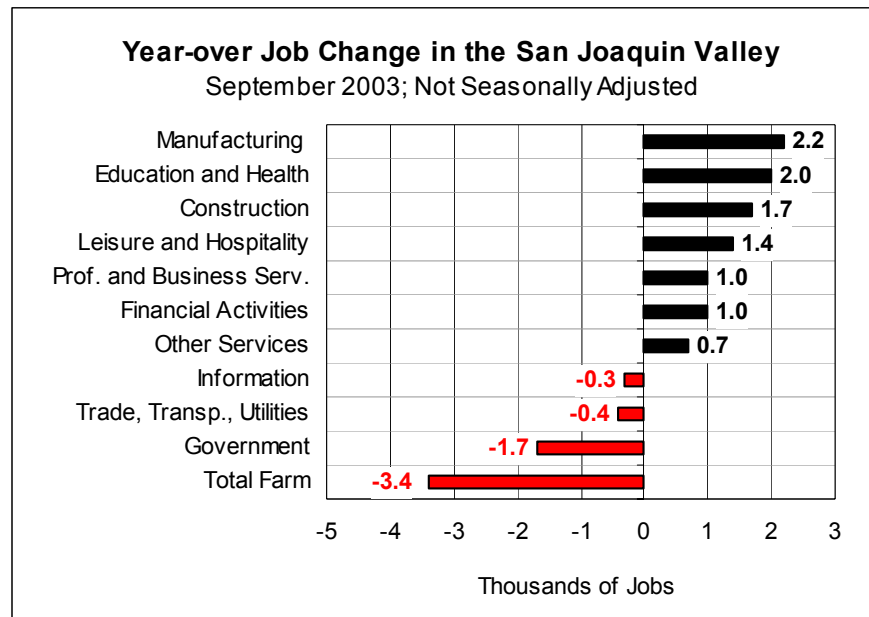
SAN JOAQUIN VALLEY REGION

- The San Joaquin Valley Region is comprised of Fresno, Kern, Kings, Madera, Merced, San Joaquin, Stanislaus, and Tulare Counties. Fresno and Madera Counties form the Fresno MSA for monthly employment estimation purposes.
- With 1.2 million wage and salary jobs in 2002, the San Joaquin Valley Region had the State's fourth largest economy. Agriculture -- including both farm production and food processing -- plays a key role in the regional economy.
- Nonfarm employment in San Joaquin Valley grew by 131,000 jobs (or 13.9 percent) between September 1997 and September 2003, growing at a steady, if moderate, pace.
- Although regional nonfarm job growth slowed somewhat over the last three years, the San Joaquin Valley economy has been largely immune from the effects of the high technology slump and business cycle. However, farm employment losses over the last three years totaled 32,900 jobs (or 12.5 percent).



THE PAST YEAR

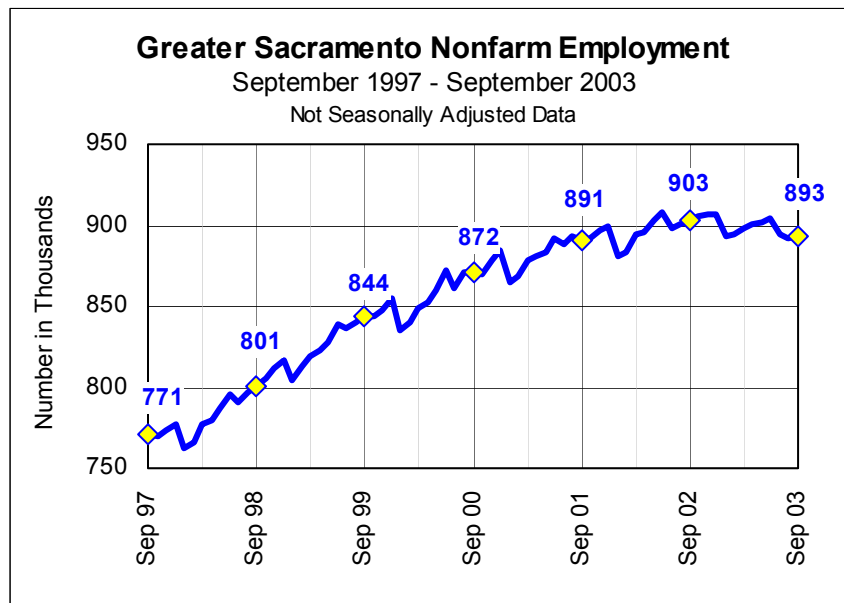
- Nonfarm employment in San Joaquin Valley grew by 7,400 jobs (or 0.7 percent) over the last year. This was the best year-over job growth -- in number and rate of growth -- of California's nine economic regions. However, farm employment declined by 3,400 jobs (or 1.5 percent) over the last year.



- Job growth occurred in seven regional nonfarm industries. Contrary to the trend of other regions, manufacturing gained the most jobs of any industry in the region. Government had the region's largest year-over nonfarm job decline.

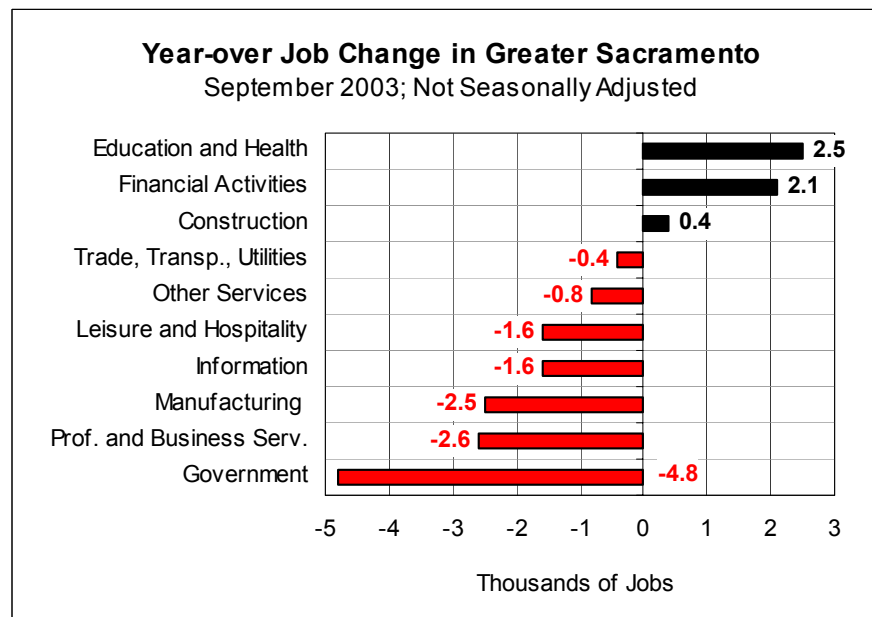
GREATER SACRAMENTO REGION

- The Greater Sacramento Region is comprised of El Dorado, Nevada, Placer, Sacramento, Sutter, Yolo, and Yuba Counties. El Dorado, Placer, and Sacramento Counties form the Sacramento MSA.
- With 911,500 wage and salary jobs in 2002, the rapidly growing Greater Sacramento Region had California's fifth largest regional economy. The Sacramento MSA dominates the regional economy, accounting for nearly 750,000 jobs, or over four-fifths of the total employment in the region. Although the regional economy is diversifying, government continues to be the region's largest employer.
- Although nonfarm employment in the Greater Sacramento Region grew by 121,700 jobs (or 15.8 percent) from September 1997 to September 2003, job growth slowed markedly over the last three years as the region's economy has coped with effects of the high technology slump, and, more recently, deepening State and local government budget woes.



THE PAST YEAR

- Nonfarm employment in the Greater Sacramento Region fell by 9,600 jobs (or 1.1 percent) over the last year. The region had year-over September job gains in each of the previous five years.



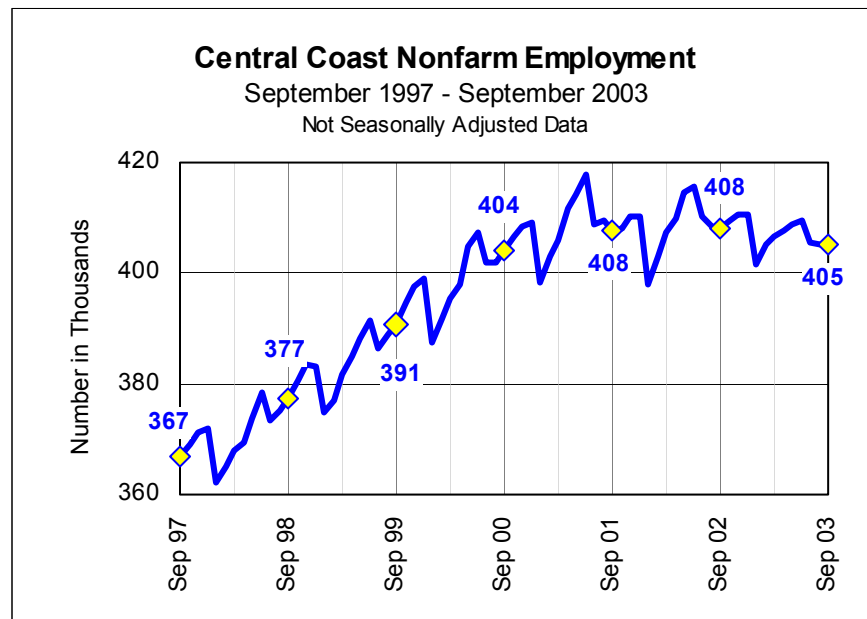
- Educational and health services was the bright spot in the economy over the past year, reflecting the region's continuing, and rapid, population growth. In

addition, the region's strong housing market helped boost employment in financial activities and construction.

- The slowdown of the past year was felt across most industries, with seven sectors showing year-over job declines. The largest year-over decline was in government, with losses more or less evenly distributed between State and local government. As the center of State government, the Greater Sacramento Region's economy is more vulnerable to cutbacks in government spending and possible layoffs than California's other regions.

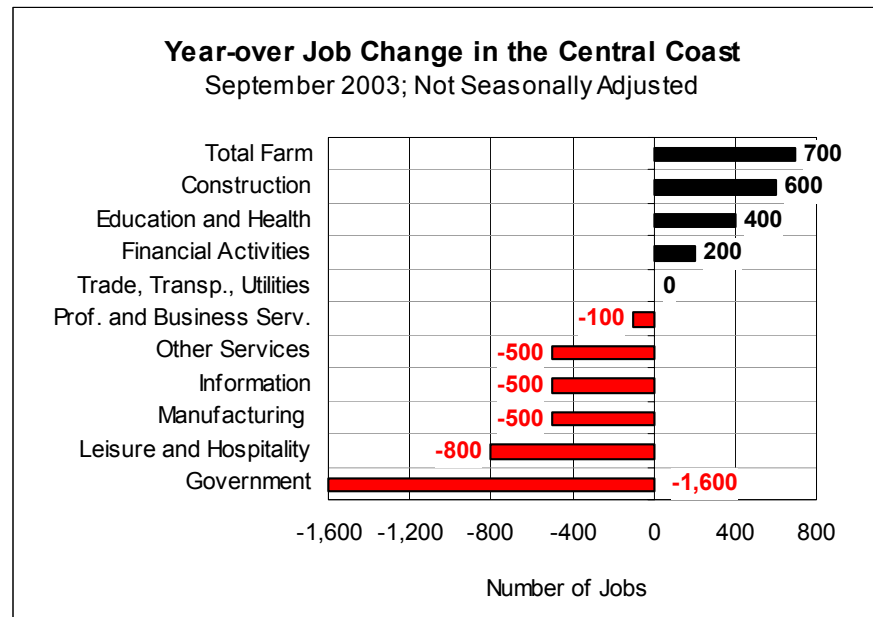
CENTRAL COAST REGION

- The Central Coast Region is comprised of Monterey, San Benito, San Luis Obispo, and Santa Barbara Counties.
- With 466,200 wage and salary jobs in 2002, the Central Coast Region was California's sixth largest regional economy. Agriculture, tourism and higher education play key roles in the region's economy.
- Although the Central Coast Region grew by 38,100 jobs (or 10.4 percent) from September 1997 to September 2003, overall growth has been flat over the last three years due to weakness in the region's high technology and tourism sectors.



THE PAST YEAR

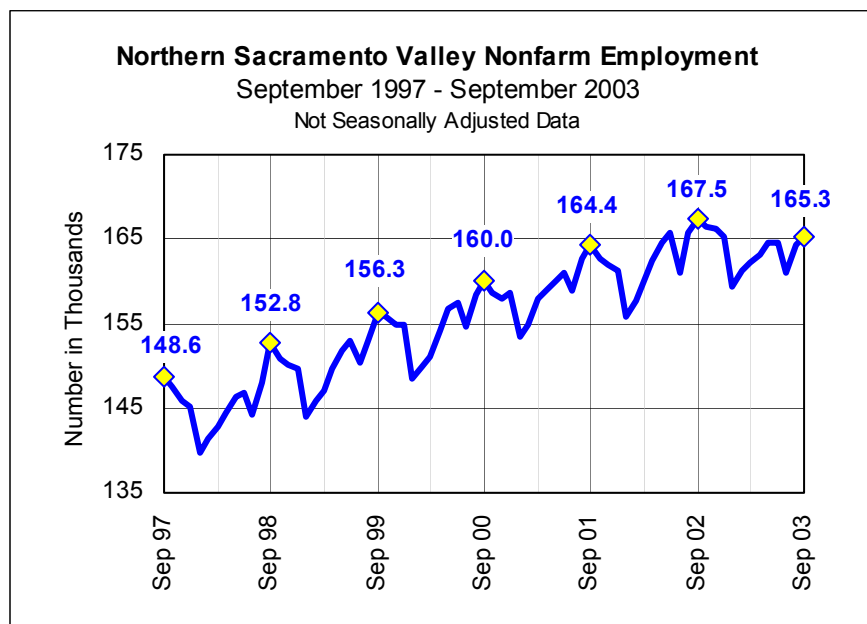
- Nonfarm employment in the Central Coast Region fell by 2,900 jobs (or 0.7 percent) over the last year. However, the region's farm sector grew by 700 jobs (or 1.0 percent).



- The region's strong housing market helped boost employment in construction and financial activities over the last year. Educational and health services was also a bright spot in the economy. However, employment losses occurred in government and the region's high technology-oriented industries.

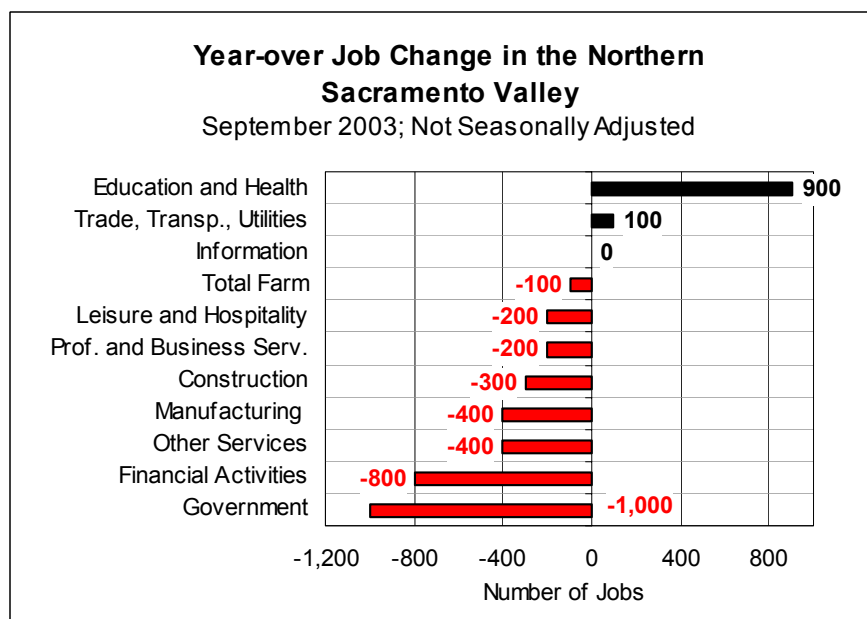
NORTHERN SACRAMENTO VALLEY REGION

- The Northern Sacramento Valley Region is comprised of Butte, Colusa, Glenn, Shasta, and Tehama Counties.
- With 171,500 wage and salary jobs in 2002, the Northern Sacramento Region was California's seventh largest regional economy.
- Prior to the net job losses of the last year, the Northern Sacramento Valley Region enjoyed a trend of steady growth in nonfarm employment. The region's net nonfarm job gains from September 1997 to September 2003 totaled 16,700 jobs (or 11.2 percent). However, farm employment declined by 3,600 jobs (or 26.9 percent) over this period.



- As in many of California more rural regions, Indian casinos have been an important source of regional job growth in recent years. However, manufacturing employment declined steeply, in part due to food processing plant closures in the region.

THE PAST YEAR

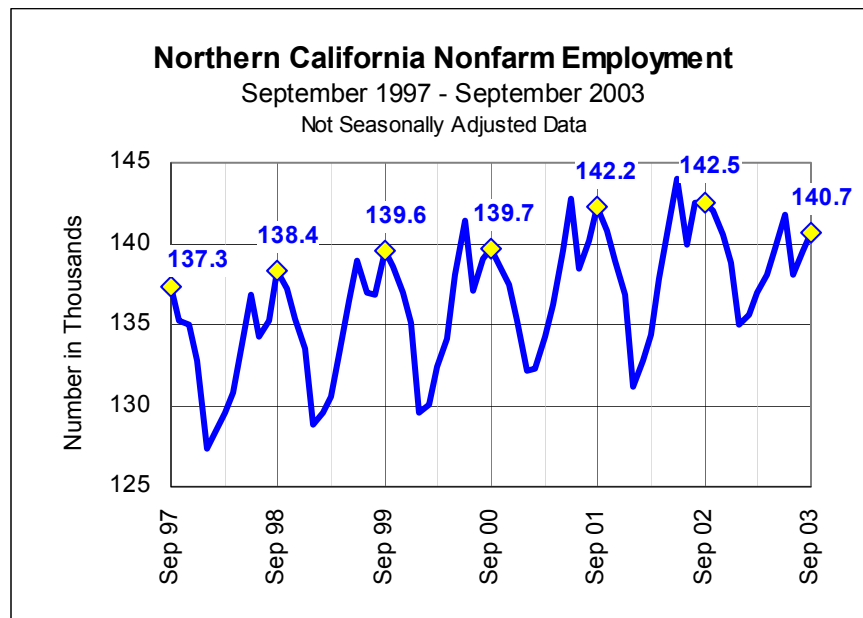


- Nonfarm employment in the Northern Sacramento Valley Region declined by 2,200 jobs (or 1.3 percent) over the last year. The region's job losses were

distributed across most industrial sectors, with just two sectors showing year-over job gains.

NORTHERN CALIFORNIA REGION

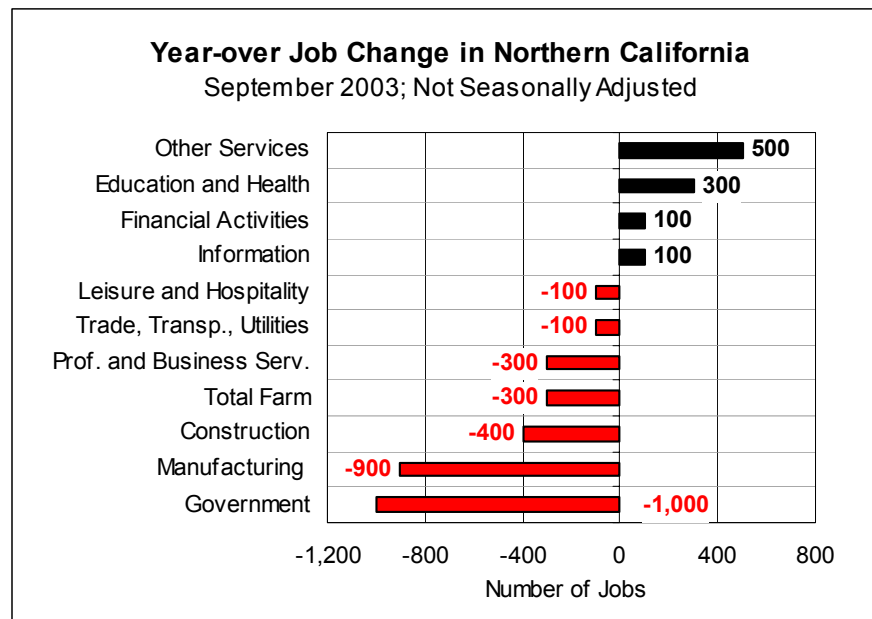
- The Northern California Region is comprised of Del Norte, Humboldt, Lake, Lassen, Mendocino, Modoc, Plumas, Sierra, Siskiyou, and Trinity Counties. Although California's largest region geographically, the region is sparsely populated overall.
- With 145,500 wage and salary jobs in 2002, the Northern California Region was California's eighth largest regional economy. Government and tourism recreation play key roles in the regional economy. Employment in the region has a pronounced seasonal pattern.
- Nonfarm employment in the Northern California Region grew by a modest 3,400 jobs (or 2.5 percent) from September 1997 to September 2003, despite declining in the past year.



- Tourism and recreation -- including Indian casinos -- has been an important source of job growth in the economy over the last three years. However, manufacturing employment declined steeply, in large part due to deep job losses in the region's wood product manufacturing industry

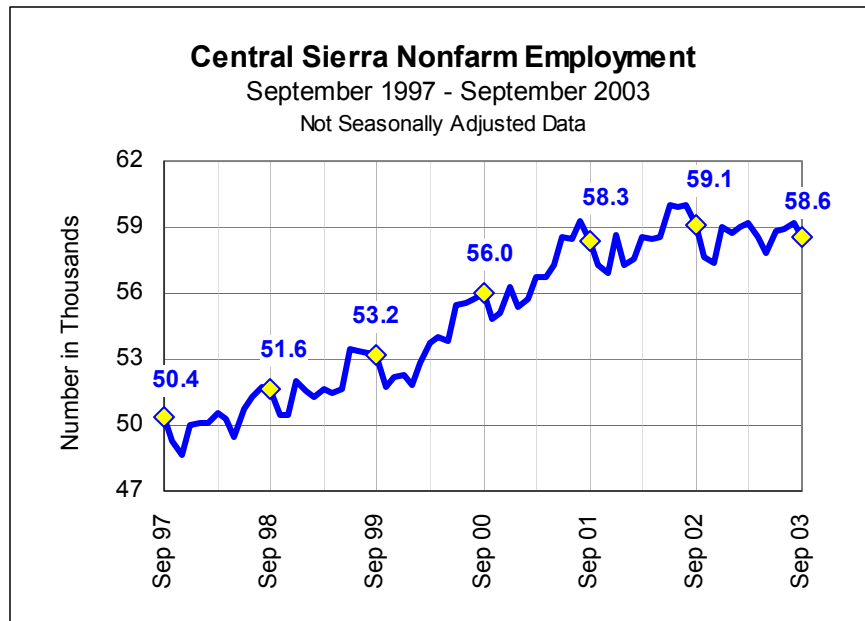
THE PAST YEAR

- Nonfarm employment in the Northern California Region declined by 1,800 jobs (or 1.2 percent) over the last year.
- Other services, and educational and health services gained the most jobs over the last year. Government, manufacturing, and construction were the region's weakest performing industries.



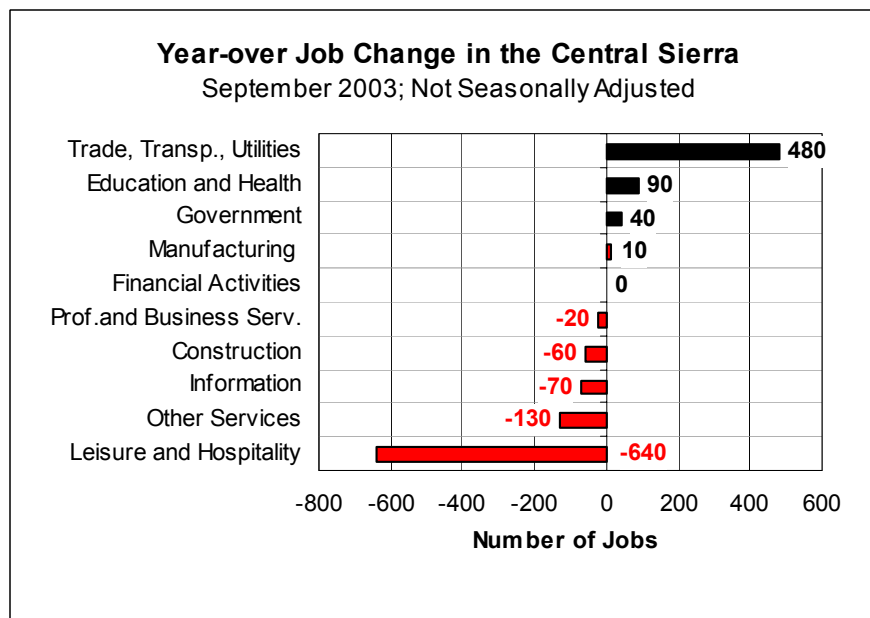
CENTRAL SIERRA REGION

- The sparsely populated Central Sierra Region is comprised of Alpine, Amador, Calaveras, Inyo, Mariposa, Mono, and Tuolumne Counties.
- The Central Sierra Region is California's smallest regional economy, with just 59,300 wage and salary jobs in 2002. Government and tourism and recreation play important roles in the regional economy.
- Although the Central Sierra economy grew by 8,210 jobs (or 16.3 percent) from September 1997 and September 2003, growth has ground to a halt over the last two years.



- Whereas tourism and recreation, and particularly Indian casinos, has been an important source of job growth in the regional economy over the last three years, the region's tiny manufacturing and information industries have had net job losses.

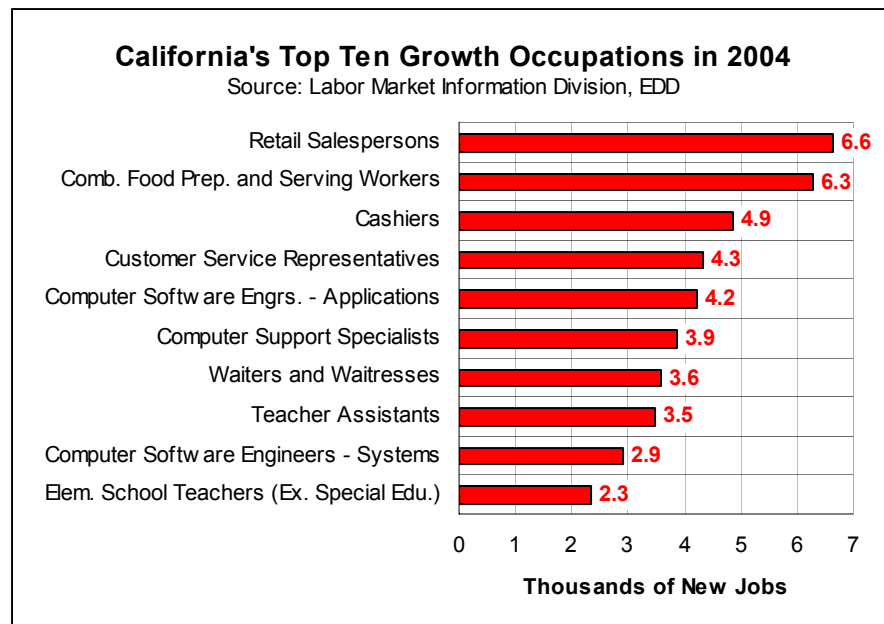
THE PAST YEAR



- Nonfarm employment in the Central Sierra Region declined by 510 jobs (or 0.9 percent) over the last year.
- Trade, transportation, and utilities had the largest year-over job gain, with retail trade accounting for over two-thirds of the sector's job growth. Although the largest year-over job losses were in leisure and hospitality, it is unclear to what degree these losses reflect the weak economy or differences in the attributes of seasons during the last two years.

INDUSTRY AND WORKFORCE PROSPECTS IN 2004

The UCLA Anderson School and Department of Finance forecast that California will grow by slightly less than 1 percent in 2004. The Labor Market Information Division's short-term industry and occupational projections indicate that growth will begin to slowly emerge through the third quarter of 2004 with a growth rate of 1 percent, or approximately 142,000 jobs. This is much less than both the average growth of 1.8 percent over the past ten years and the 3.5 percent growth that recently occurred in 2000. Since labor force growth has averaged 1.4 percent per year over the last ten years, employment needs to grow at a faster pace to keep unemployment from rising.



From a workforce perspective, the top growth occupations for next year fall into two distinct education and training categories: jobs requiring minimal to moderate on-the-job training, and jobs requiring two and four year degrees.

- Retail Salespersons, Combined Food Preparation and Serving Workers, Cashiers, Customer Service Representatives, Waiters and Waitresses, and Teacher Assistants require less than 12 months of on-the-job training. The average annual salary for these occupations ranges from \$16,000 for Waiters and Waitresses to about \$33,000 for Customer Service Representatives. Overall these six occupations will add about 29,200 new jobs in 2004.
- Computer Engineers, Computer Support Specialists, and Teachers require up to a four-year degree. The average annual salary for these occupations ranges from around \$48,000 per year for Elementary School Teachers to over \$80,000 a year for Computer Software Engineers, specializing in either applications or systems software. These four occupations will add about 13,300 new jobs in 2004.

- While nearly two-thirds of California's information technology (IT) professionals work in high technology industries, about half of the more general IT professional occupations, such as Computer Programmers, Systems Analysts, Computer Support Specialists, and Database Administrators are found throughout the California economy. Businesses in all sectors have increased their productivity by automating administrative functions and other computer related activities.
- An important factor to consider in projecting workforce demand are the additional openings created when workers leave the labor force or change occupations. For example, while we project 142,000 new jobs due to growth over the next year, 363,000 additional job openings will also occur through replacements. Many of these openings are in occupations requiring short-term training and paying annual salaries from \$16,000 to \$25,700.
- The occupations with the most job openings (growth and separations) include: Cashiers, Retail Salespersons, Combined Food Prep and Serving Workers, Waiters and Waitresses, Laborers, Stock Clerks and Order Fillers, Office Clerks, Counter Attendants, Teacher Assistants and Security Guards. Together these ten occupations will have about 74,000 job openings.
- Most of the occupations expected to decline over the next year have been affected by automation, either in the office or in the factory. Word Processors and Typists, Data Entry Keyers, Switchboard Operators, Telephone Operators, Secretaries, and Order Clerks will lose an average of 500 jobs next year. Electrical and Electronic Equipment Assemblers are projected to lose about 1,300 jobs in the next year, the most of any occupation. These occupations pay an average of between \$24,000 and \$30,000 annually.